

**Minutes
North Dakota Public Employees Retirement System
Thursday, May 18, 2000
Missouri River Room
State Capitol
Bismarck, ND
8:00 A.M.**

Members Present: Mr. Joseph Maichel, Chairman
Mr. Weldee Baetsch
Mr. David Gunkel
Mr. Ron Leingang
Mr. Howard Sage
Mr. Murray Sagsveen
Ms. Rosellen Sand

Others Present: Mr. Sparb Collins, Executive Director NDPERS
Ms. Kim Humann, NDPERS
Ms. Kathy Allen, NDPERS
Mr. Bryan Reinhardt, NDPERS
Mr. Scott Miller, Attorney General's Office
Mr. Tom Tupa, AFPE & INDSEA
Ms. Gisele Barth, NDPEA
Mr. Howard Snortland, AFPE
Ms. Mary Schwab, Job Service
Mr. Mike Mullen, Department of Health
Ms. Mary Sorenson, BCBS
Ms. Sue Tibiatowski, BCBS
Mr. David Peske, ND Medical Association
Ms. Nancy Kopp, ND Optometric Association

Chairman Maichel called the meeting to order at 8:10 a.m.

HEALTH

Plan Design

During the last several months, extensive discussions have been held with numerous groups and individuals concerning the health insurance plan. These discussions have focused on the health plan design and the scope of benefits. Health plan design refers to deductibles, co-payments, and coinsurance. Scope of benefits refers to the range of services covered and how they are reimbursed.

The primary purpose of this effort was to develop a new health premium for consideration by the Governor and the Legislature, and to provide several alternative plan designs to demonstrate the effect funding reductions have on plan designs. Secondly, to review the scope of benefits presently provided by the plan and determine if any changes are necessary and the effect on premiums.

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Staff developed and provided background information on the health plan. The information included data on the performance of the plan. The analysis shows that:

- 1) The recent health trend for PERS has been low, but even at 6% the required premium increase will be a major expenditure for the State.
- 2) Health premium increases in the past have not increased at a rate greater than the increase in the overall budget. The result has been that the total amount of the budget devoted to health insurance has remained stable.
- 3) The present PERS plan design is performing well as compared to other national plan indexes, the state plan and other BCBS plans in North Dakota.
- 4) The level of satisfaction by the members is still very high; however, it did decrease slightly in the past year.
- 5) The level of understanding of the plan by the members has continued to improve.
- 6) The out-of-pocket amounts paid by members has remained fairly stable over time; however, it is increasing as a result of the Legislature not fully funding the rate increase for this biennium.
- 7) The plan design is competitive with other BCBS plan designs.
- 8) The history of the plan shows that it has evolved from a single product to a triple option plan over the last ten years with benefits and out-of-pocket expenses that vary based upon the option selected.

Plan design comments were received from the Benefits Committee, EPO Providers and Others

Benefits Committee

The PERS Benefits Committee met and discussed the health plan. The Committee felt that:

- 1) No premium payment should be considered as an option for state employees.
- 2) Coinsurance maximums should not increase, thereby ensuring that the maximum liability will not increase.
- 3) Plan design changes should be spread out and not just targeted at one area.
- 4) The PERS Board should recommend the existing plan.

The Committee developed five alternative designs. They felt that only the present design and designs 4 & 5 should be submitted.

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EPO Providers

The EPO providers met and reviewed information and the plan designs offered by the Benefits Committee. The providers offered the following comments concerning plan design:

- 1) Eliminate the copayment on ancillary services so providers do not have to bill these amounts.
- 2) Increase the copayment for office calls to discourage utilization.
- 3) Small changes to the plan design should be avoided since they require the provider to reeducate doctors and staff.
- 4) Plan design changes should not decrease the attractiveness of the EPO.
- 5) Changes should maintain the relative differentials.
- 6) Risk adjusted factors should be considered.
- 7) Make changes to the emergency room copayment in consideration of the office call copayment. The two should be sufficiently different to maintain a disincentive.

Other Plan Design Observations

Two additional plan designs were suggested and costed. These are designs 9 and 10 and were developed as part of the Board's considerations.

It was also suggested that staff examine whether there were any potential savings in making EPO participation mandatory for all members, subject to network availability in their area.

Several issues were raised concerning the **Scope of Benefits**. These included:

- 1) The North Dakota Optometric Association expressed their concern about the application of the deductible to Optometrists and other providers.
- 2) The State Health Officer, Murray Sagsveen, suggested that the Board should consider modifying the health plan to include the following:
 - a. Influenza vaccinations for all member ages 6 months and older.
 - b. Obesity counseling.
 - c. Smoking cessation programs.
 - d. Expand reimbursable immunizations to include Hepatitis B for 0-1, Vaicella (chickenpox) for ages 12 months – 18 years, and Pneumoccal for persons ages 2-64 at high risk.
 - e. Encourage greater participation in wellness programs.
 - f. Consider expanding the list of exclusions for lifestyle behavior.
- 3) The Benefits Committee suggested that only long term savings items and items that would deter utilization be added to the plan.

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- 4) The EPO providers noted that if there were any changes to the scope of coverage it would require an adjustment in the targets and capitation.
- 5) The EPO providers also suggested that the plan should provide for an EPO waiver for out-of-area students.

Concerning scope of benefit considerations, staff asked BCBS to review those benefits that are a part of their regular lines of business, but are not a part of the PERS plan. That information was included with the board materials. Also, included with the board materials was a list of other changes that have been suggested either this biennium or in previous bienniums.

Staff provided the following analysis on the plan design and scope of benefit issues:

Plan Design

Two issues were suggested that present a major change in the plan design. These are: 1) that the ancillary copayment be eliminated and, 2) that EPO participation be mandated in areas where a network is available.

Staff noted that the elimination of the ancillary copayment would not solve the provider's problem of having to prepare a bill since the coinsurance would still need to be collected. Staff indicated that it would be very difficult and expensive to make this change at this time, and would not meet the providers' objectives.

The second concept relates to the EPO. The concept that was suggested would change the EPO from being a voluntary plan to a mandatory plan in areas where it is available. Staff conveyed it would be very difficult to determine the financial effect of this proposal. Staff felt that they would not be able to renegotiate a contract with the EPO providers with this change without providing them substantial assurances to risk issues. Staff indicated that there is very little short term cost savings to mandating EPO membership because of the level of concessions that would be required to get the providers to agree to the contracts, and because of the potential loss of PPO contracts. In addition, they believe that membership will react negatively to such an initiative and the product may need some changes if this policy change is made.

To analyze the other comments and criteria and their effect on plan design, staff used a matrix analysis process which was included with the materials. Staff also added several criteria which are:

- 1) Deductible, coinsurance and copayment cost sharing provisions should not increase more than premiums. What this says is that, if the total increase is \$14,000,000, the maximum increase in deductibles, copayments and coinsurance should be no more than \$7,000,000.
- 2) The emergency room copayment should be increased. Staff discussed this with both the Benefits Committee and the EPO providers, and they both agreed. This copayment has not increased since the 80's and, with the increases that have occurred with the office call copayment, there is no longer much of a difference.

Staff's objective was threefold: 1) to develop a premium rate for renewals of the existing plan, 2) to develop several alternative plan designs and, 3) to address scope of benefits issues. The following is the timeframe for accomplishing this effort:

- 1) Determine the alternative plan designs by June so that BCBS and Deloitte can cost them by August.
- 2) Identify possible benefit changes in June for inclusion in renewal negotiations and determine any changes in the scope of benefits in August or September.
- 3) Forward the final recommendations and options to the Office of Management and Budget by the end of September.

Staff recommended the following:

Relating to plan design:

- 1) No change should be made to the ancillary copayment at this time since the cost in additional premium will be very high, and it would not fully meet the providers' objectives.
- 2) There appears to be no significant financial benefit in mandating EPO participation at this time. Staff recommended this not be considered for this renewal.
- 3) The existing and three plan design alternatives should be forwarded on for costing purposes. Since the goal of this effort was to demonstrate the effect that a reduction has on plan design, at least three alternative designs are needed to effectively demonstrate the effect of reduced funding on benefits received.
- 4) Plan designs 6, 7, 8 and 11 are consistent with the most criteria. Plan designs 7 and 8 both end up with the same level of premium increase and therefore, are not very different in terms of the overall objective of demonstrating the effect of reduced funding on plan designs. Therefore, only one of these plans may be appropriate in the final analysis, in which case plan design 8 meets the most criteria. Staff recommended that the present plan design and plan designs 6, 8 and 11 be costed.

Concerning Scope of Benefits:

- 1) All of the suggested changes in the scope of benefits should continue to be considered as part of the renewal. That all of the issues identified be costed separately as part of the renewal, and the Board would give final consideration to their inclusion in August or September when the final cost projects are available.
- 2) Staff, together, with the health department, should more fully define the criteria for smoking cessation and obesity counseling benefits, and report it to the Board at the June meeting.

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- 3) Staff and the health department should determine if there are any lifestyle exclusions that should be considered as part of the plan, and report them to the Board at the June meeting.
- 4) Staff should be directed to review the existing wellness benefit program to determine if it is meeting its original objectives. If it is not, staff should develop other concepts and report them to the Board by July.
- 5) Staff and BCBS should review the difference in scope of benefits between PERS and BCBS and report to the Board areas that should be considered as part of the renewal.

Discussion followed on the prescription drug program for the present plan, alternative plans and the BCBS plans.

MR. SAGE MOVED TO INCREASE THE FORMULARY BRAND NAME PRESCRIPTION DRUG COPAYMENT FROM \$10.00 TO \$15.00 AND THE NON-FORMULARY PRESCRIPTION DRUG COPAYMENT FROM \$10.00 TO \$25.00. MR. SAGSVEEN SECONDED THE MOTION.

Ayes: Sage, Sand

Nays: Baetsch, Gunkel, Leingang, Sagsveen, Chairman Maichel

MOTION FAILED

Discussion was held on the generic drug utilization rate. Mr. Baetsch recommended encouraging employees and retirees to use generic drugs. Ms. Sand suggested this could potentially be achieved through better education to active members and retirees. Mr. Leingang concurred with Ms. Sand.

The Board discussed the issue of ancillary copayment for lab and x-ray services.

MR. SAGE MOVED NOT TO REMOVE THE ANCILLARY COPAYMENT. MR. GUNKEL SECONDED THE MOTION.

Ayes: Baetsch, Gunkel, Leingang, Sage, Sagsveen, Sand, Chairman Maichel

Nays: None

PASSED

Discussion was held regarding the issue of mandating EPO participation.

MR. LEINGANG MOVED NOT TO MANDATE EPO PARTICIPATION. MS. SAND SECONDED THE MOTION.

Ayes: Baetsch, Gunkel, Leingang, Sage, Sagsveen, Sand, Chairman Maichel

Nays: None

PASSED

Chairman Maichel recessed for a five-minute break

The Board discussed the plan designs relating to prescription drugs. Also discussed was the BCBS plan design for its products.

MR. GUNKEL MOVED TO COST OUT FOR CONSIDERATION THE DRUG FORMULARY USED FOR THE BCBS SELECT AND COMP PLAN DESIGNS FOR THE PRESENT PLAN PRESCRIPTION DRUG PROGRAM AND ALTERNATIVES 6, 8 AND 11. MR. LEINGANG SECONDED THE MOTION.

Ayes: Baetsch, Gunkel, Leingang, Sage, Sagsveen, Sand, Chairman Maichel

Nays: None

PASSED

MS. SAND MOVED THAT THE PRESENT PLAN DESIGN AND PLAN DESIGNS 6, 8 AND 11 BE COSTED. MR. GUNKEL SECONDED THE MOTION.

Ayes: Baetsch, Gunkel, Leingang, Sage, Sagsveen, Sand, Chairman Maichel

Nays: None

PASSED

MS. SAND MOVED TO REQUEST ADDITIONAL COST INFORMATION FOR SCOPE OF BENEFIT ITEMS 1, 2 AND 5. MR. SAGSVEEN SECONDED THE MOTION.

Ayes: Baetsch, Gunkel, Leingang, Sage, Sagsveen, Sand, Chairman Maichel

Nays: None

PASSED

BCBS Newsletter

Included with the board materials was a copy of the winter and spring *Health Care Discussions* newsletter from BCBSND. BCBSND will be including PERS in the mailing list for this newsletter. This item was informational only and required no action by the Board.

NDPERS Staff Changes

Mr. Collins conveyed there would be staff changes occurring in the NDPERS office. He provided an overview of the office restructuring. Mr. Sagsveen suggested contacting other state agencies to see if there would be interest in sharing the part-time information technology position. This item was informational only and required no action by the Board.

Executive Director Annual Evaluation

Mr. Leingang and Mr. Baetsch distributed their report for the Executive Director's annual evaluation and salary adjustment recommendation. This item will be considered at the board meeting held on May 25, 2000.

Chairman Maichel called for any other business or comments. Hearing none, the meeting was adjourned at 10:40 a.m.

Prepared by,

Kim Humann
Administrative Assistant